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November 21, 2011

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Marlene H. Dortch, Secretary
Federal Communications Commission
445 Twelfth Street, SW
Washington, DC 20554

**Re: Notice of Written *Ex Parte* Presentation
WT Docket No. 11-65**

Dear Ms. Dortch,

As the Commission brings its review of the AT&T-T-Mobile transaction to its end stage, the proponents of this competition- and job-killing takeover appear to be hoping against all hope that political maneuvering can save this disastrous and otherwise doomed deal. The merger proponents' chief tactic appears to be attempting to convince policymakers, against all reality, that this massive horizontal merger would create jobs. AT&T alone has spent millions of dollars plastering the D.C. media market with non-stop ads making the patently false claim that this transaction would create 96,000 jobs. And though AT&T is slightly less deceptive in its presentations to the Commission than in its ads, both the company and the Communications Workers of America (CWA) continue to offer the agency highly misleading and inaccurate assessments of this transaction's impact on employment.

The purpose of this written *ex parte* presentation is to emphasize for the Commission indisputable facts about this merger's impact on jobs, rebutting arguments in recent letters to the Commission authored by AT&T and CWA.¹ Below, we use both publicly available data as well as confidential internal AT&T documents to definitively demonstrate the obvious: This merger, like past AT&T mergers (and indeed, all horizontal mergers of its size), will result in fewer jobs.

The truth is in the record — and it is stark and undeniable. At the outset of this transaction, AT&T estimated that within three years of the transaction's completion, T-Mobile's workforce would be **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** **[END HIGHLY**

¹ See Letter from Robert Quinn, AT&T, to Marlene Dortch, FCC, WT Docket No. 11-65 (Oct. 13, 2011) (*October 13 AT&T Letter*); see also Eighth Supplemental Response of AT&T Inc. To Information and Discovery Request Dated May 27, 2011, To Supplemental Request for Information Dated June 27, 2011, And To Further Request for Information Dated October 13, 2011 (Oct. 31, 2011) (*Eighth Supplemental Response*); see also Letter from Debbie Goldman, CWA, to Marlene Dortch, FCC, WT Docket No. 11-65 (Nov. 8, 2011) (*November 8th CWA Letter*).

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CONFIDENTIAL INFORMATION] by nearly **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** **[END HIGHLY CONFIDENTIAL INFORMATION]** accounting for **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** **[END HIGHLY CONFIDENTIAL INFORMATION]** percent of the of the T-Mobile workforce.²

AT&T's sleight-of-hand commitments (discussed below) cannot hide the basic fact that if this merger were approved, there would be thousands fewer American jobs than if it were blocked.

AT&T Has A Track Record of Wireless Job Losses Following Wireless Mergers

The AT&T Mobility division of AT&T Inc. was formed through several prior wireless company consolidations. In October 2004, AT&T Wireless Services (an independent company since 2001) merged with Cingular Wireless (a joint venture of SBC and Bell South, predecessor companies of the current AT&T). Following the 2006 merger of SBC/AT&T Corp. with Bell South, the Cingular brand was retired and the wireless operation became known as AT&T Mobility, a division of AT&T Inc. Two other notable acquisitions followed. In November 2007, AT&T acquired Dobson Communications; and in November 2009, AT&T completed its acquisition of Centennial Communications.³ Of these transactions, the AT&T Wireless-Cingular transaction was the most substantial, involving the merger of companies with 31,000 and 39,000 employees respectively. When Dobson was acquired, it employed approximately 2,500 workers; Centennial's headcount was approximately 2,900 prior to the close of that transaction.

These transactions — and particularly the AT&T Wireless-Cingular transaction, given its size — offer historical evidence that can inform predictions about the impact on jobs of the pending AT&T/T-Mobile acquisition. The patterns in these cases mirror the larger trend within AT&T Inc. itself: steadily decreasing headcount in the months and years following the company's acquisitions of and mergers with competing wireless and wireline companies. As Free Press and others have previously told the Commission, over the past decade AT&T has acquired firms with more than 180,000 employees, yet has incurred a net job loss of well above 100,000 workers.⁴

In its Nov. 8 letter and attached paper, CWA critiques this approach as “sloppy,” saying “Opponents inappropriately use a decline in AT&T wireline jobs to impute a decline in wireless jobs. ... The opponents should get the facts straight and analyze the impact of AT&T's wireless mergers on AT&T's wireless employment.”⁵ This is a disingenuous (and as we see below, ultimately meaningless) critique.

First, AT&T does not publicly disclose its wireline or wireless division employment figures.

² FCC-ATT-00056645.

³ Other minor wireless transactions include AT&T's acquisitions of Interwise (2007), Edge Wireless (2008) and Wayport (2008). In our analysis below we do not account for the pre-merger employment figures of these companies due to lack of data. Though, if we did it would only increase the total job loss figures presented.

⁴ See e.g. Petition to Deny of Free Press, WT Docket No. 11-65, at 45 (May 31, 2011).

⁵ See *November 8th CWA Letter*, attachment at 4.

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In its annual SEC filings, AT&T only reports total company employment. Thus there is no way for analysts to use publicly disclosed information to distinguish between wireline and wireless employment. In the absence of such information, it is completely appropriate to consider what AT&T's company-wide employment levels were as it completed both wireless and wireline acquisitions. More importantly, this critique is baseless because as CWA and AT&T both note, AT&T has in the past softened the blow of mergers on workers by offering those in redundant positions employment elsewhere in the wider company. As we explain in detail below, because this approach has been paired with a reliance on attrition, analyzing total company employment is the best method to account fully for the impact of these past mergers.

In that Nov. 8 letter, however, using information obtained from AT&T, CWA told the Commission: "In 2002, there were 70,000 employees at AT&T Mobility and its predecessor companies. Since then, AT&T merged with Cingular, Dobson and Centennial. Today, there are 67,000 employees at AT&T Mobility." This is the first public disclosure of the size of the domestic AT&T Mobility workforce.

But it is very curious that CWA chose 2002 as the base year for this comparison, and not 2003. The AT&T Wireless Services-Cingular merger closed in October 2004. Therefore, the appropriate time for the baseline comparison would be a date as close as possible to and just before the closing date. Since these companies only disclosed employment figures in annual reports, CWA should have chosen 2003, not 2002, as the base year for the comparison.

If we examine the full set of employment figures, we see that at the end of 2003 there were approximately 76,000 employees at the companies that comprise the current AT&T Mobility. Thus, during the relevant 2003 to 2011 period, when annual wireless capital spending by AT&T Mobility (and its predecessor companies) increased by nearly \$4 billion, the company still managed to *shed* nearly 9,000 jobs (see Figure 1). This is quite different from the 70,000 mobility workers in 2002 cited by CWA. So while CWA calls the data presentations of merger opponents "sloppy," we see in fact that CWA's own presentation is misleading in a way that is most favorable to its rhetorical conclusions, as it grossly understates the total job loss in AT&T's mobility division.

The data in Figure 1 also reveals the impact of AT&T's wireless mergers on wireless employment, addressing CWA's methodology complaint. On Dec. 31, 2003, AT&T Wireless Services and Cingular had a total combined workforce of 70,400 employees. Three months after these companies merged in October 2004 Cingular reported 70,300 workers. But by December 31, 2005, the new Cingular had shed more than 6,000 jobs.

In other words, in the years prior to the transaction Cingular had been adding jobs; but within 15 months of completing the merger, nearly 10 percent of the jobs had disappeared. It is also noteworthy that these 6,000-plus jobs were lost during a period when the company's annual capital investments increased by more than \$2.4 billion. This highlights the inherent problems with the underlying methodology for AT&T and CWA's misleading "96,000 jobs" claim (see below for further discussion).

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Figure 1: AT&T Mobility Historical Employment and Capital Expenditures

Employees (at year end)	2002	2003	2004	2005	2006	2007	2008	2009	2010	3Q2011
AT&T Mobility	[REDACTED]									67,000
Cingular	33,800	39,400	70,300	64,000	[REDACTED]					
AT&T Wireless	31,000	31,000	[REDACTED]							
Dobson	2200	2500	2600	2445	2500	[REDACTED]				
Centennial*	3324	3000	3662	3350	3400	2900	3100	[REDACTED]		
Total	70,324	75,900	76,562	69,795	[REDACTED]					67,000
Capital Expenditures (millions)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 (estimated full year)
AT&T Mobility	[REDACTED]				\$7,039	\$3,840	\$6,000	\$6,066	\$9,171	\$9,200
Cingular	\$3,085	\$2,734	\$6,067	\$7,475	[REDACTED]					
AT&T Wireless	\$5,302	\$2,302	[REDACTED]							
Dobson	\$73	\$164	\$142	\$146	\$162	[REDACTED]				
Centennial	\$198	\$124	\$128	\$162	\$134	\$115	\$134	[REDACTED]		
Total	\$8,658	\$5,323	\$6,337	\$7,783	\$7,335	\$4,100	\$6,134	\$6,200	\$9,171	\$9,200

Source: Company 10-K filings; SNL-Kagan Wireless Industry Benchmarks; author's estimates; Redacted figures sourced from FCC-ATT-00056642.

*Centennial filed annual reports for periods ending on 5/31; all other data reflects information as of 12/31 in each respective year

Though the information is not publicly available, we are able to examine the employment impacts of the smaller (though still substantial) AT&T acquisitions of Dobson and Centennial. The Dobson transaction closed on Nov. 15, 2007, and the transition process (including asset and subscriber divestitures) began shortly thereafter. As of December 31, 2007, AT&T Mobility reported [REDACTED] [REDACTED] workers on the payroll.⁶ One year later this figure was

⁶ FCC-ATT-00056642. These data illustrate why, in light of AT&T's job-reduction-by-attrition strategy, it is important to consider total company employment in addition to wireless division employment figures. [REDACTED]

[REDACTED] As we discuss below, some employees in redundant wireless positions may be offered positions elsewhere in AT&T Inc. and outside of the mobility division. But while also offering these employees this lateral movement, AT&T, by its own admission, uses a strategy of attrition to lower overall headcount. Some displaced workers fill open positions within AT&T, but an even greater number of open positions are not filled, and are subsequently eliminated. The net result is a total job loss relative to what would have been had the merger not occurred and the employment synergies not been achieved.

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[BEGIN HIGHLY CONFIDENTIAL INFORMATION] **[END HIGHLY CONFIDENTIAL INFORMATION]** The Centennial merger closed in November 2009. AT&T Mobility reported a December 31, 2008, headcount of **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** **[END HIGHLY CONFIDENTIAL INFORMATION]** and Centennial reported 2,900 workers as of May 31, 2009. But by Dec.31, 2009, the combined total reported by AT&T Mobility was **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** **[END HIGHLY CONFIDENTIAL INFORMATION]** The December 31, 2010, AT&T Mobility headcount was **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** **[END HIGHLY CONFIDENTIAL INFORMATION]** and CWA now publicly reports that the AT&T Mobility August 2011 headcount was 67,000.

To make its case that the current merger won't harm jobs, CWA cites its prior agreements it made with AT&T (in the Dobson and Centennial mergers) that allow AT&T to achieve headcount reductions partly through a process of attrition.⁷ But the data presented in Figure 1, along with AT&T's estimated future stand-alone headcount, further illustrates exactly how this process played out, particularly in the Centennial case, and how it would likely play out if the T-Mobile deal were approved. While AT&T Mobility employed 67,000 U.S. workers as of August 2011, the company estimates that by the end of this year the headcount will **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** **[END HIGHLY CONFIDENTIAL INFORMATION]**.⁸ This trend in employment from 2007 through the end of 2011 and beyond comes at a time when AT&T increased capital expenditures while undertaking substantial network upgrades and deployments, similar to the years following the AT&T Wireless Services-Cingular merger and subsequent 3G network deployment.

While past is not always prologue, the historical behavior of AT&T – particularly when it comes to jobs and merger-related jobs promises – is quite telling. From 2004 through the end of 2011, AT&T's own domestic Mobility employment will have declined by approximately **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** **[END HIGHLY CONFIDENTIAL INFORMATION]** Using this figure in context of the current transaction, this would correspond to a total reduction of the combined U.S. workforce of approximately **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** **[END HIGHLY CONFIDENTIAL INFORMATION]** jobs. This estimate **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]**

[END HIGHLY CONFIDENTIAL INFORMATION]

discussed below.⁹

⁷ See November 8th 2011 CWA Letter at 3.

⁸ FCC-ATT-00057250, at cell F-22.

⁹ The headcount **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** **[END HIGHLY CONFIDENTIAL INFORMATION]** estimate of **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** **[END HIGHLY CONFIDENTIAL INFORMATION]** full-time employees cited above in FCC-ATT-00056645 did not include non-U.S. T-Mobile labor. As we discuss below, following its call center and on-shoring commitments, AT&T retooled its workforce plans in a manner that **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]**

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In summary, contrary to CWA's assertions, there *is* plenty of empirical evidence to support the contention that there were *significant* total wireless job cuts at AT&T Mobility as a result of past mergers. To pretend otherwise is to ignore reality.¹⁰

Merger Supporters Continue to Badly Mislead the Public about the Prospects for Future Employment at AT&T and in the Broader Economy as a Result of AT&T's Supposed Investment Commitments

As Commission staff is likely well aware, it is nearly impossible to watch any local television or listen to the radio in Washington, D.C., without seeing or hearing one of AT&T's pro-merger ads. The central feature of these spots is the claim that AT&T's post-merger commitment to "invest \$8 billion more" would "create as many as 96,000 American jobs." As Free Press has detailed, this claim is misstated, misleading, incomplete and flatly ludicrous given AT&T's history. Despite our efforts to shine some light on this false claim, AT&T continues to run these misleading ads and continues to incorrectly cite the Economic Policy Institute (EPI) study that is the original source for this figure.¹¹

And while AT&T is at least a bit more careful in how it presents this particular jobs claim to the Commission, CWA continues to badly misstate the underlying prediction, while it tries and fails to address the arguments showing that the entire premise of an \$8 billion increase in investment is

[END HIGHLY CONFIDENTIAL INFORMATION] The end result of this is still the [BEGIN HIGHLY CONFIDENTIAL INFORMATION] [END HIGHLY CONFIDENTIAL INFORMATION] of approximately [BEGIN HIGHLY CONFIDENTIAL INFORMATION] [END HIGHLY CONFIDENTIAL INFORMATION] full-time equivalents, with at least [BEGIN HIGHLY CONFIDENTIAL INFORMATION] [END HIGHLY CONFIDENTIAL INFORMATION] of those [BEGIN HIGHLY CONFIDENTIAL INFORMATION] [END HIGHLY CONFIDENTIAL INFORMATION] jobs in the U.S.

¹⁰ It is worth noting that in past AT&T mergers, when AT&T did not attempt to pretend the mergers would create jobs, CWA still supported the transactions, based primarily on the argument that the deals would improve working conditions for some workers. There is no reason the union could not still take this approach in the current transaction, since it is a very valid concern and does not rely on patently false claims that this merger will somehow create jobs. See "Communications Workers Urge Approval of Proposed Cingular-AT&T Wireless Merger," CWA Press Release (May 2, 2004); and "Workers, Consumers to Gain from SBC-AT&T Merger," CWA Press Release (June 5, 2005). The latter transaction is particularly noteworthy since SBC had publicly announced that it planned to cut 13,000 jobs four months prior to the referenced press release.

¹¹ For example, in its *Eighth Supplemental Response*, AT&T writes "The Economic Policy Institute published an analysis of the job-creating effects of this investment, estimating that it will result in approximately 55,000-96,000 new jobs." But that's not what EPI published or estimated. EPI wrote: "A plausible range of impact would be between 55,000 and 96,000 *job-years*" (emphasis added). As we detail below, it is highly misleading to portray a job-year as equivalent to a job. See Economic Policy Institute, *The Jobs Impact of Telecom Investment*, Policy Memorandum #18 (May 31, 2011) (*EPI Study*).

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wrong. Below we illustrate why these merger proponents' claims and the recent arguments supporting them are wholly without merit.

AT&T Has Lengthy History Of Shedding Jobs Even as it Increases Capital Investment

First, the premise that capital investment increases employment is sound, but the RIMS-II input/output methodology that the Economic Policy Institute study uses is more apt for predicting output responses at a macroeconomic level rather than for a single company. Further, as EPI itself notes, the use of input/output cannot account for the “myriad other factors that would impact jobs.”¹² Despite AT&T and CWA’s touting of the EPI study as an assessment of the merger’s impact on jobs, EPI itself says that the study “is not a full job-impact estimate of the entire purchase of T-Mobile by AT&T.”¹³

To illustrate the inherent problems of relying on input/output analysis to predict employment impacts, the Commission need look no further than AT&T’s own investment and jobs history. For example, during the 12-month period from January 1, 2010, to December 31, 2010, AT&T’s total capital investment increased by more than \$3 billion, from \$17.3 billion in 2009 to \$20.3 billion in 2010. However during this one year, employment at AT&T *declined* by 16,130 jobs, from 282,720 at the end of 2009 down to 266,590 at the end of 2010. Using EPI’s study, one could say that this one-year \$3 billion increase in investment should have increased AT&T’s own employment (i.e. direct jobs) by as much as 10,500 jobs that year (a year in which there was a large amount of unemployment in the broader economy). Clearly, this did not happen, as AT&T shed jobs even while its capital investment increased.

And though we feel it is appropriate to examine AT&T’s employment at the company level given its attrition-job reduction strategy, we can examine the 2010 result specifically for wireless investment and employment. During 2010, AT&T’s wireless capital investment increased by \$2.9 billion, implying (using EPI’s methodology) an expected employment increase of 10,200 jobs during that year. But according to AT&T internal data, Mobility employment that year [BEGIN HIGHLY CONFIDENTIAL INFORMATION]

[END HIGHLY CONFIDENTIAL INFORMATION].¹⁴

Further, as mentioned above, there is ample historical evidence to assess the impact of AT&T’s wireless investment on AT&T’s wireless employment. All these examples produce the opposite results from what EPI’s study predicts.

In the year following the AT&T Wireless-Cingular merger, capital investment increased by nearly \$1.5 billion. EPI’s methodology would imply this increase should have created as many as 5,250 jobs at Cingular during that year. But Cingular shed 6,300 jobs that year, despite the increased investment. Capital investment at AT&T Mobility and its predecessor companies

¹² *EPI Study* at 3.

¹³ *Id.*

¹⁴ See Figure 1, *supra*, and FCC-ATT-00057250, at cell F-22

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increased from \$5.3 billion in 2003 to an estimated \$9.2 billion in 2011. EPI's methodology would imply this increase should have created as many as 13,650 direct job-years worth of employment. But as Figure 1 shows, employment at AT&T Mobility and its predecessor companies declined by nearly 9,000 jobs from 2003 to August 2011.

AT&T and CWA Misstate the EPI Study's Result: A 'Job-Year' Is not the Same as a Job

In the attachment to its Nov. 8 letter, CWA writes, "According to the Economic Policy Institute (EPI), each \$1 billion in capital expenditure on wireless infrastructure can create up to 12,000 new jobs a year as a result of network expansion. EPI estimates that an \$8 billion investment will create between 54,834 and 95,959 jobs for the seven-year program."

This, to put it charitably, is a gross mischaracterization of what EPI actually wrote. CWA is claiming that up to 96,000 jobs will be created over seven years. Setting aside the fallacy of the underlying \$8 billion increased investment premise (see below), *at best* EPI is saying that this investment could produce as many as 96,000 jobs that last for just a single year, and then disappear.¹⁵ And this implausible estimate, built upon the myth of a post-merger increase in investment, relies on the economy staying in the dumps all the way through 2018. The shiniest possible *real-world* interpretation of the EPI study requires dividing by seven: between 8,000 and 14,000 "jobs" *could* be created in the economy if the underlying premise of \$8 billion increase in investment were real (it is not) and if there weren't other countervailing factors (there are plenty).

And while AT&T and CWA portray these phantom jobs as "American" jobs, there's nothing in the underlying methodology that indicates the jobs supposedly created would be in the United States. In fact, since half of the estimate relies on the purchase of communications equipment, which will undoubtedly be purchased from overseas suppliers, it is entirely reasonable to presume that many of these supposed new jobs won't be "American" jobs but jobs in East Asian countries.

The \$8 Billion Investment Commitment Is a Myth: If AT&T Acquires T-Mobile, Net Wireless Industry Investment Will Decline Substantially

Despite incessant claims to the contrary, the merger and associated investment commitments would still result in a net loss of wireless capital investment and jobs. AT&T has vaguely claimed it "will make an additional investment of more than \$8 billion to expand LTE deployment and to

¹⁵ Here's the full text of EPI's finding:

Given the job impact analysis noted above, a plausible range of impact would be between 55,000 and 96,000 *job-years*. To reiterate, the jobs estimate includes both direct jobs within the primary industries that meet the additional demand for goods and services and supplier jobs in the secondary industries that supply those primary industries with intermediate goods and services. The estimate also includes "induced jobs" created as incomes earned by newly hired workers are spent back into the economy. *The figures are again listed as job-years, which refer to a job held for a single year.* Our estimate assumes that the \$8 billion in investment is spread equally over the seven-year horizon (emphasis added).

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integrate the AT&T and T-Mobile USA networks.” For the Commission, the appropriate metric is the “but-for” world: If the merger were not consummated, how would a stand-alone AT&T and a stand-alone T-Mobile invest in response to wireless industry and broader macroeconomic trends? The data makes it clear that without the merger both AT&T’s and T-Mobile’s capital investment would increase over the near-term.

The \$8 billion investment figure, even when viewed in isolation as a gross (not net) change in wireless industry investment, is overstated for multiple reasons. First, it is an amount that assumes AT&T acquires and keeps 100 percent of T-Mobile’s assets, and has to expend capital to merge the entire T-Mobile USA network. But this is an improbable assumption, as everyone including AT&T does not *currently* expect the transaction could be approved without substantial asset divestitures. Indeed, the *Eighth Supplemental Response* contains a document that reveals AT&T expects to divest [BEGIN HIGHLY CONFIDENTIAL INFORMATION] [END HIGHLY CONFIDENTIAL INFORMATION] percent of T-Mobile resources.¹⁶

Second, the \$8 billion figure appears to include some of the LTE deployment costs that AT&T is already incurring as it deploys LTE to 80 percent of the U.S. population.¹⁷

Third, the \$8 billion figure assumes that after 2017, a standalone AT&T still would have served only 80 percent of the U.S. population with LTE. This is a completely unrealistic assumption. We have previously shown why in the but-for world, the relative low-cost of the investment along with substantial marketing pressure from Verizon would force AT&T to complete its deployment of LTE to its entire footprint within the next several years.¹⁸ This evidence and the financial underpinnings of AT&T’s future buildout decisions are indisputable. Given this, a full [BEGIN HIGHLY CONFIDENTIAL INFORMATION] [END HIGHLY CONFIDENTIAL INFORMATION] of the commitment amount should be discounted. But the bottom line is for every tower beyond the 80 percent footprint that a standalone AT&T would *eventually* upgrade to LTE, the commitment amount should be reduced in any analysis of its economic impact.

¹⁶ See FCC-ATT-00056632, page 5 (i.e. FCC-ATT-00056636). As we discuss below, this estimate underlies AT&T’s estimates about post-merger employment at U.S. call centers.

¹⁷ The Commission should request that AT&T clarify this figure and cite documentation showing what portion of the \$8 billion commitment is for network integration capital cost, what portion is for LTE buildout beyond 80 percent of the population, and how this capital investment commitment relates to any potential divestitures. Such a clarification is needed because based on internal AT&T documents, the \$8 billion figure appears to include [BEGIN HIGHLY CONFIDENTIAL INFORMATION]

[END HIGHLY CONFIDENTIAL INFORMATION]

¹⁸ See Letter from Chris Riley, Free Press, to Marlene Dortch, FCC, WT Docket No. 11-65 (Aug. 11, 2011).

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But the larger and most important point is that the \$8 billion figure is a *gross* change, not a *net* change that accounts for the impact of lost T-Mobile investment. CWA's only effort to respond to this observation is to repeat factually inaccurate assessments of T-Mobile's future prospects.¹⁹ AT&T in its communications with the Commission simply ignores the gross vs. net investment question, while in the press it plays the same game as CWA, pretending that T-Mobile's future investments won't be forthcoming.²⁰ Below we explain in detail why these assumptions about T-Mobile's future capital investments are contradicted both by T-Mobile's public statements and AT&T's own internal estimates.

Furthermore, for the \$8 billion figure to be a *net* increase in investment, AT&T and CWA must assume that there will be *zero* capital synergies from the merger; i.e. there would be *zero* decommissioning of T-Mobile towers. This is plainly not the case, as AT&T has detailed these types of capital savings in confidential filings to the Commission, and publicly promised to investors what AT&T describes as ">\$10B" in "capital and spectrum" synergies reaped from "avoided purchases and investments" over a *four-year period* following the close of the merger.²¹

CWA has criticized the use of the greater than \$10 billion figure by merger opponents, telling the Commission "a significant amount of the projected \$10 billion in capital synergy savings is a result of reduced spectrum acquisition costs," and reasoning that avoided spectrum purchases wouldn't have the same economic impact as the types of purchases that would be made through AT&T's supposed \$8 billion commitment.²²

It appears that the parties are unnecessarily talking past each other, as AT&T itself has laid out the *net* impact on both capital and spectrum purchases of this transaction in its internal planning documents. AT&T says it will increase capital spending by \$8 billion over a *seven-year period* following the merger (note the \$10 billion synergy figure cited above is for a *four-year period*). So what is the incremental impact of the merger on T-Mobile's spending? According to AT&T, during this seven year-period, a stand-alone T-Mobile would have spent approximately [BEGIN HIGHLY CONFIDENTIAL INFORMATION] [END HIGHLY CONFIDENTIAL INFORMATION] on capital investments and another [BEGIN HIGHLY CONFIDENTIAL INFORMATION] [END HIGHLY CONFIDENTIAL INFORMATION] on spectrum purchases.²³ With T-Mobile's operations merged into AT&T's, the calculated *incremental* capital investments over this seven-year period (from the T-Mobile side) amount to approximately [BEGIN HIGHLY CONFIDENTIAL INFORMATION] [END HIGHLY CONFIDENTIAL INFORMATION] with the incremental spectrum purchase savings totaling [BEGIN HIGHLY CONFIDENTIAL INFORMATION] [END HIGHLY CONFIDENTIAL INFORMATION]

¹⁹ November 8 2011 CWA Letter, at 4.

²⁰ See "AT&T Claim of 96,000 Jobs With T-Mobile Deal Questioned," *Bloomberg News*, November 8, 2011 (a television news story, available at <http://www.youtube.com/watch?v=mEri8IRaqbk>).

²¹ "AT&T + T-Mobile: A World-Class Platform for the Future of Mobile Broadband," at 35 (March 21, 2011).

²² See November 8th CWA Letter, attachment at 5.

²³ FCC-ATT-0007287, p.9.

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CONFIDENTIAL INFORMATION].²⁴ Therefore over this seven-year period, the *net* effect of AT&T's takeover of T-Mobile is a **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]**

[END HIGHLY CONFIDENTIAL INFORMATION] reduction in T-Mobile's capital investment and a **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** **[END HIGHLY CONFIDENTIAL INFORMATION]** reduction in T-Mobile's spectrum purchases (with another **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** **[END HIGHLY CONFIDENTIAL INFORMATION]** in avoided AT&T spectrum purchases).

Putting this all together, the true impact of this merger on investment is clear: over the seven-year period in which AT&T claims it would increase capital spending by \$8 billion, we actually see that the *net* investment impact is **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]**

[END HIGHLY CONFIDENTIAL INFORMATION]. So when CWA tells the Commission "merger opponents are wrong to assume that a stand-alone T-Mobile's capital expenditures would 'net out' AT&T's planned \$8 billion additional investment in wireless infrastructure,"²⁵ we see in fact that merger opponents are 100 percent correct, based on hard data.

However, it is again critical to note that even the \$8 billion starting point for this assumption is completely unrealistic, because it assumes no asset divestitures; it appears to include AT&T LTE deployments already in progress; and it assumes that a stand-alone AT&T would not have increased its LTE footprint beyond 80 percent of the U.S. population after seven years.

This should once and for all illustrate the fact that the \$8 billion investment commitment is a wildly overstated figure, and thus the entire underpinning of the EPI study is deeply flawed. The indisputable fact is that this merger would reduce investment relative to the but-for world, and thus would in theory cost jobs in the wider economy (in addition to the acknowledged job reductions that would occur in the combined company).

But CWA continues to argue that in the but-for world T-Mobile would be a failed company. CWA specifically told the Commission: "The assumption by [economist David] Neumark and other merger opponents that an independent T-Mobile would be able to maintain, much less increase, the past level of capital expenditures, therefore is without merit."²⁶

CWA bases this assessment on a comparison of T-Mobile's 2009 capital expenditures (the peak year) with what it estimates T-Mobile will allocate in 2011 – a comparison CWA notes is a drop of 24 percent.

There are two problems with using this approach to predict the future. First, wireless company investment levels often cycle up and down with technology deployment schedules and

²⁴ FCC-ATT-0007287, p.40.

²⁵ November 8th CWA Letter at 4.

²⁶ *Id.*

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with responses to broader economic trends. T-Mobile's spiked in 2008 and 2009, largely due to the company's deployment of HSPA+ technology (a deployment that was brought to market well before AT&T began its own upgrade). Indeed, from 2006 to 2007, AT&T's wireless capital expenditures dropped by *45 percent*. Would any reasonable observer conclude from this that all future AT&T wireless investment would continue to decline? No, of course not, as the company had largely finished its 3G deployments and had ramped down capital for that year (ramping back up in 2008 to bring adequate backhaul to towers, and further ramping up in 2010 with AT&T's own HSPA+ deployment).

Second, the Commission does not need to take CWA's word for what a future T-Mobile would spend, as it has AT&T's own incredibly detailed estimates. Contrary to CWA's blanket statement that assuming future T-Mobile capital increases is without merit, we see AT&T calculated that T-Mobile would [BEGIN HIGHLY CONFIDENTIAL INFORMATION] [END

HIGHLY CONFIDENTIAL INFORMATION].²⁷ AT&T also predicted substantial [BEGIN HIGHLY CONFIDENTIAL INFORMATION] [END HIGHLY CONFIDENTIAL INFORMATION] in T-Mobile revenues and subscribers.²⁸ This plainly contradicts the "downward path" assessment of T-Mobile that CWA continues to offer the Commission.

One final point on the \$8 billion myth and the EPI study should be noted. We have shown above (and will discuss further below) how this merger would cost T-Mobile employees their jobs. The EPI study assumed that more than 70 percent of the created job-years would be indirect jobs, meaning jobs at suppliers and in the broader economy rather than at AT&T itself. So any honest assessment of this merger must also examine the indirect jobs impact from the loss of T-Mobile. And here, the destruction of the broader economy from AT&T's synergies would be substantial.

AT&T estimates that it will close approximately [BEGIN HIGHLY CONFIDENTIAL INFORMATION] [END HIGHLY CONFIDENTIAL INFORMATION] percent of T-Mobile's 2,000 retail stores (this does not include the 1,100 stores owned by T-Mobile affiliates, which will likely see equal or higher levels of closure).²⁹ The impact on the real estate market and support services for these stores will be substantial, leading to many indirect job losses. Other aspects of T-Mobile's operation that rely on external support, including [BEGIN HIGHLY CONFIDENTIAL INFORMATION] [END HIGHLY CONFIDENTIAL INFORMATION], will be eliminated.³⁰

²⁷ FCC-ATT-0007287, p.9.

²⁸ FCC-ATT-0007287, pp.8-9. The subscriber estimates indicate AT&T felt T-Mobile would [BEGIN HIGHLY CONFIDENTIAL INFORMATION] [END HIGHLY CONFIDENTIAL INFORMATION]

²⁹ See FCC-ATT-0001512, p.13; see also Aton Troianovski, "T-Mobile Dealers Start to Hang Up," *Wall Street Journal*, June 23, 2011.

³⁰ See FCC-ATT-00052985, p.11, describing [BEGIN HIGHLY CONFIDENTIAL INFORMATION] [END HIGHLY CONFIDENTIAL INFORMATION]

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AT&T also has made it clear that it plans to decommission approximately [BEGIN HIGHLY CONFIDENTIAL INFORMATION] [END HIGHLY CONFIDENTIAL INFORMATION] of T-Mobile tower sites, or [BEGIN HIGHLY CONFIDENTIAL INFORMATION] [END HIGHLY CONFIDENTIAL INFORMATION] percent of the total. T-Mobile's towers create employment not just for T-Mobile workers, but also for many other Americans in other sectors of the economy, and therefore this merger will lead to more direct and indirect job losses because these facilities will be closed forever.

AT&T Is Not Hiding the Fact that The Merger Would Kill Jobs. It's Just Defending its Actions as a Kinder, Gentler Job Killer Through its Preferred Process of Elimination-By-Attrition

In its Oct. 13 letter, AT&T suggested that Free Press and others “ignore AT&T's prior filings in this docket, which make clear that although some jobs serving redundant functions would be eliminated to reduce costs, AT&T will rely primarily on natural attrition — employees retiring, taking other jobs, etc. — to accomplish those reductions.” We're not ignoring this admission that the merger would cost jobs at all. We're agreeing with it. At the end of the day, if this merger were approved, the number of jobs in the economy *ceteris paribus*, would be less than if it were blocked, as AT&T's statement above and its internal documentation make perfectly clear.

AT&T's job killing is a multi-step process. First, many management positions are eliminated and some severance is granted. Next, some non-management employees are offered the ability to take positions elsewhere in the company. Whether or not these offers are in the same city or state as the eliminated job, or whether they have comparable pay, is left unstated. But once these offers are made in the broader AT&T, an even greater number of open positions are eliminated. The end result is fewer American jobs than there would have been if regulators denied AT&T's merger wishes. It may be that AT&T's attrition tactics are preferable to firing workers on Christmas Eve, but if the Commission is going to make employment a public interest consideration, it matters less how the jobs are cut than whether or not jobs are cut.

So while AT&T's stated commitment to offer “T-Mobile USA non-management employees whose job functions are no longer required because of the merger ... another position in the combined company” sounds like job preservation, when combined with attrition it is clearly a recipe for job destruction, one AT&T is counting on to achieve its merger synergies.

This shell game is seen in AT&T's call center commitment. AT&T states “the merger will not result in any job losses for U.S.-based wireless call center employees of T-Mobile USA or AT&T who are on the payroll when the merger closes.”³¹ However, the words in here are chosen very carefully, in a manner that serves to distort the truth, as AT&T's *Eighth Supplemental Response* illustrates. [BEGIN HIGHLY CONFIDENTIAL INFORMATION]

[END HIGHLY CONFIDENTIAL]

³¹ *October 13th AT&T Letter.*

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INFORMATION] This means AT&T’s 5,000 on-shoring commitment should be read as a *gross*, not net impact on American call center jobs (both at AT&T and T-Mobile-owned centers and at contractor centers).

Further, while the impact on American jobs is an important public interest consideration for the Commission, so too is the quality of customer service. And the evidence here strongly suggests that customer service quality will be negatively impacted. The plain reality is that despite the commitments described above, AT&T still plans a **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** **[END HIGHLY CONFIDENTIAL INFORMATION]** call center jobs.³² Further, AT&T plans to **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** **[END HIGHLY CONFIDENTIAL INFORMATION]** the hours that these call center employees are available to the public relative to how much they were open for business to T-Mobile subscribers.³³ T-Mobile’s customer service rating consistently exceeds AT&T Mobility’s.³⁴ It’s not hard to see why. T-Mobile’s ratio of subscribers to call center workers is **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** **[END HIGHLY CONFIDENTIAL INFORMATION]** **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** **[END HIGHLY CONFIDENTIAL INFORMATION]**³⁵

Taken together, the evidence presented above makes it clear that not only will this merger reduce American jobs but a major side effect from this “synergy” will be worse customer service for both current T-Mobile and AT&T wireless subscribers.

The Commission has a duty to judge this proposed merger on the facts. We agree with those who say jobs are an important public interest consideration. And the facts here are undisputable. Approval of this transaction will lower the number of American jobs. For this reason, and the myriad other reasons we’ve raised in this proceeding, the Commission must move swiftly to reject the application and focus its attention on creating real and meaningful competition in the wireless market.

Sincerely,

_____/s/____

S. Derek Turner
Research Director
Free Press

³² FCC-ATT-00056642, cell K12 less cell H12.

³³ FCC-ATT-00052985.

³⁴ See e.g. “JD Power: AT&T Still Stinks at Customer Service — Sprint, T-Mobile Take Top Honors in Latest Survey,” *DSL Reports*, Aug. 17, 2011.

³⁵ FCC-ATT-00056632.

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